

Historic, archived document

Do not assume content reflects current
scientific knowledge, policies, or practices.

1-9
10548
UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

CS-34

August 29, 1939

THE COTTON SITUATION



Summary

The world is expected to have a slightly smaller supply of cotton this season than last, it was reported today by the Bureau of Agricultural Economics. The 1938-39 supply was an all-time high record of 50,500,000 bales.

The Bureau said that although the carry-over of American cotton is the largest on record, the increase this year over last in the carry-over is expected to be about offset by the smaller 1939 United States crop. World carry-over of foreign cotton is considerably smaller than the high record of a year ago. It seems likely, the Bureau said, that the 1939-40 foreign production may be somewhat smaller than last year's output.

The Bureau looks for a marked increase in United States exports of cotton in coming months, contingent upon the lessening of political tension in Europe. Exports this season to date have continued exceptionally small despite the marked gains immediately following inauguration of the United States export subsidy. But as ginnings from the 1939 crop are now exceeding current requirements, from now on it will become less difficult for buyers to obtain sizable lots of required qualities of cotton, the Bureau said.

Domestic cotton mill consumption in July and the first half of August continued at a rate 15 to 20 percent higher than a year earlier. For the 12 months ended July, domestic mills consumed 6,860,000 bales, 19 percent more than in 1937-38 and the fourth largest amount on record. Sales of unfinished cloth and yarn were apparently comparatively small during the first three weeks

of August, but prices were mostly maintained or even increased. This, together with lower cotton prices, increased manufacturers' margins.

Mill activity and cotton consumption in foreign countries were apparently well maintained during July and early August. In Europe, however, activity was based to an exceptionally large degree on government orders. In Great Britain, France, and some of the smaller European countries, cotton consumption as well as mill activity is running at considerably higher levels than a year ago. In Germany and Italy, cotton spinning and weaving mills continued quite active but are using large quantities of rayon staple fiber and other substitute material. Cotton mill consumption in Japan and China continued about unchanged at levels materially lower than before the outbreak of hostilities in July 1937. In India consumption continued at or near record-breaking levels.

PRICES

Domestic prices again decline, but remain above August 1938

The average price of 8.73 cents for Middling 7/8 inch cotton at the 10 markets on August 26 was the lowest price received in these markets for more than 3 months. The August 26 price was three-fourths cent below that of July 26 and seven-eighths cent below the high point of the 1938-39 season reached on June 3 and July 10. Despite the substantial decline during the past two or three weeks, prices in these markets remained above the average price of 8.37 cents for August last year.

As indicated last month, it seems quite likely that a part of the recent weakness in cotton prices has been due to the fact that the 1939 crop is now moving in considerable volume. Up to August 16 a total of 310,000 bales of the new crop had been ginned. At this rate it seems likely that by the end of August something like 1 $\frac{1}{4}$ million bales probably will have been ginned. Since the world consumption of American cotton during the last month or two has been around 800,000 to 900,000 bales there should be a substantial increase in the stocks of "free" American cotton on hand at the end of August as compared with a month earlier. Quite a large increase in such stocks should occur during September, assuming that little or none of the ginnings goes into Government-loan stocks. As these stocks increase it becomes much easier

for merchants to fill orders for a given number of bales of a particular quality than was the case when such stocks were as low in relation to requirements as in the past several weeks.

The increased tension in Europe also probably has been a price-depressing factor. Should a major war break out, the export movement of cotton from the United States and most other important exporting countries probably would be materially disrupted. Furthermore, the British pound declined from \$4.68 to \$4.28 between August 24 and August 28. This has been a depressive factor on cotton prices in the United States and other exporting countries where the exchange rates have similarly changed, but tends to raise cotton prices in Great Britain in pence. The decline in the value of the British pound, however, tends to lower Liverpool prices when converted to cent equivalents.

American cotton at Liverpool still high in relation to most foreign growths

From July 27 when the cotton export payment plan went into effect to August 25 prices of American cotton both in domestic markets and at Liverpool (and also probably in other markets) have declined somewhat. In Liverpool, however, the decline was less than that in United States markets. (See table 1). This reflects the somewhat greater shortage of stocks of American cotton at Liverpool (288,000 bales on August 1 this year as compared with 686,000 bales a year earlier) which has not yet been relieved by arrivals out of the 1939 crop. The small stocks of American cotton have no doubt prevented Liverpool spot prices of American cotton from declining more in relation to spot prices of foreign growths. As may be seen from the accompanying table, the prices of American cotton are still comparatively high relative to prices of foreign growths, although not nearly to the same extent as before the export subsidy proposal was first recommended by the President in late March.

EXPORTS

United States exports 58 percent less than the 10-year 1923-32 average

The 3,327,000 running bales of American cotton exported during the 12 months ended July 1939 were only 59 percent of the comparatively small exports of the preceding season and 42 percent of the average for the 10 years ended July 1933. This was the smallest, by a considerable margin, than for any corresponding 12 months since exports in running bales were first reported in 1887-88. In terms of 500-pound bales, the total for the past season amounted to 3,513,000 bales and was the smallest since 1881-82, or in 57 years.

Table 1.- Cotton: Spot price per pound, specified growths at Liverpool and New Orleans, specified periods

| Season month or day | Liverpool | | | | | | | | New Orleans | |
|---------------------------|------------------------------|----------------------|---|---|---|---|---|---|-----------------|--------|
| | American | | Indian | Egyptian | Brazilian | | | | American | |
| | Mid- dling 7/8 inch | Low Mid- dling | Fine Comra#1 Ac- tual Mid- dling | As a % of Am- erican Mid- dling | F.G.F. Uppers Ac- tual Mid- dling | As a % of Am- erican Mid- dling | Fair, Sao Paulo Ac- tual Mid- dling | As a % of Am- erican Mid- dling | Middling 7/8 In | Spread |
| | Cents | Cents | Cents | Percent | Cents | Percent | Cents | Percent | Cents | Cents |
| 10 yr. av: | | | | | | | | | | |
| 1927-28 : | | | | | | | | | | |
| to 36-37 : | 14.50 | 13.60 | 11.19 | 78.0 | 17.12 | 117.9 | 14.08 | 97.7 | 12.65 | 1.85 |
| 1936-37 : | 14.62 | 13.16 | 10.87 | 74.4 | 17.40 | 119.0 | 14.12 | 96.6 | 12.79 | 1.83 |
| 1937-38 : | 10.31 | 8.78 | 7.96 | 77.1 | 13.10 | 126.7 | 10.18 | 98.7 | 8.79 | 1.52 |
| 1938-39 : | 10.15 | 8.71 | 7.14 | 70.4 | 11.80 | 116.5 | 9.63 | 94.9 | 8.73 | 1.42 |
| 1938-39 : | | | | | | | | | | |
| Feb. : | 10.02 | 8.55 | 6.95 | 69.4 | 11.56 | 115.4 | 9.53 | 95.1 | 8.60 | 1.42 |
| March : | 10.17 | 8.71 | 6.85 | 67.4 | 11.58 | 113.8 | 9.68 | 95.2 | 8.69 | 1.48 |
| April : | 9.67 | 8.21 | 7.02 | 72.6 | 10.90 | 112.7 | 9.19 | 95.0 | 8.61 | 1.06 |
| May : | 10.55 | 8.97 | 7.45 | 70.6 | 11.08 | 105.0 | 9.83 | 93.2 | 9.30 | 1.25 |
| June : | 11.04 | 9.38 | 7.61 | 68.9 | 11.47 | 103.9 | 10.18 | 92.2 | 9.45 | 1.59 |
| July : | 10.61 | 8.95 | 7.31 | 68.9 | 11.43 | 107.7 | 9.85 | 92.8 | 9.37 | 1.24 |
| July 7 : | 10.94 | 9.28 | 7.57 | 69.2 | 11.68 | 106.8 | 10.16 | 92.9 | 9.55 | 1.39 |
| 14 : | 10.77 | 9.11 | 7.28 | 67.6 | 11.53 | 107.1 | 9.99 | 92.8 | 9.45 | 1.32 |
| 21 : | 10.20 | 8.54 | 7.10 | 69.6 | 11.18 | 109.6 | 9.42 | 92.4 | 9.15 | 1.05 |
| 28 : | 10.53 | 8.87 | 7.33 | 69.6 | 11.37 | 108.0 | 9.85 | 93.5 | 9.35 | 1.18 |
| Aug. 4 : | 10.30 | 8.64 | 7.27 | 70.6 | 11.47 | 111.4 | 9.52 | 92.4 | 9.21 | 1.09 |
| 11 : | 10.18 | 8.52 | 7.29 | 71.6 | 11.27 | 110.7 | 9.40 | 92.3 | 9.01 | 1.17 |
| 18 : | 10.02 | 8.37 | 7.37 | 73.6 | 11.10 | 110.8 | 9.24 | 92.2 | 8.92 | 1.10 |
| 25 : | 10.25 | 8.67 | 7.67 | 74.8 | 11.66 | 113.8 | 9.42 | 91.9 | 8.76 | 1.49 |

Compiled from reports of the Liverpool Cotton Exchange except for the last 3 weeks which are from cables to the Bureau of Agricultural Economics or from reports of the New York Cotton Exchange. Prices were reported in pence per pound and converted to cents per pound at current rates of exchange.

July exports were about half as large as a year earlier and the second smallest since 1911. During the first two weeks following the inauguration of the export subsidy, domestic exports increased about 100 percent over the greatly restricted exports of the two preceding weeks, but were still slightly less than in the corresponding weeks of a year earlier. From August 1 to 23, a total of 169,000 bales was exported compared with the relatively small exports of 173,000 bales a year earlier. The comparatively small exports during this period, despite the export payment program, are apparently attributable to the small stocks of "free" American cotton available, which has made it difficult to assemble sizable lots of particular qualities of cotton for export. Export sales of American cotton to date are believed to have been fairly large. Should the political tension in Europe become less severe, it is expected that exports will show a substantial increase over the very low levels of last season during the weeks and months immediately ahead as larger quantities of the current crop become available.

Exports from Egypt, and Brazil exceptionally large

Exports of Egyptian cotton during the 12 months ended July, while slightly less than in the two preceding seasons, were one-fifth larger than the average for the 10 years ended July 1933. They were the fourth largest for any corresponding 12 months on record. Exports of cotton from Brazil in the 11 months ended June were one-third larger than the previous record high exports for these months and 15-1/2 times as large as the average for these months in the above-mentioned 10-year period. Exports of cotton from India were 55 percent larger than during the 11 months ended June 1939 than in the corresponding period a year earlier, but about the same as the average for the corresponding period during the 10 years 1923-24 to 1932-33.

DEMAND AND CONSUMPTION

UNITED STATES: Mill activity continues at high levels

Domestic mill consumption of 521,000 bales for the month of July was 73,000 bales or 17 percent larger than in July last year. It brought the total for the season to 6,860,000 bales which was 19 percent larger than in the 1937-38 season and the third largest on record. Trade reports indicate that mill activity during the first three weeks of August, when adjusted for seasonal variation, was equal to or higher than the average for July.

Sales of unfinished cloth and yarn were apparently comparatively small during the first three weeks of August, falling considerably below output. Cloth prices, however, were mostly maintained or showed some increase. This together with the decline in cotton prices increased the manufacturing margins among such goods. The comparatively favorable level of retail sales and reports to the effect that stocks of cotton goods in retail channels are favorable to a continued high rate of domestic mill activity and cotton consumption during the immediate future. Unsettled conditions in Europe, however, might prevent conditions from developing as favorably as would otherwise be the case.

EUROPE: 1/ Mill activity continues high on strength of Government orders

July, the last month of the 1938-39 cotton season, brought no change in the improved position of the European cotton textile industry. Mainly as a result of the armament programs, with their generation of buying power and secondary employment, industrial production in many European countries continues on the upgrade and unemployment figures are being further reduced. These developments, apart from direct government orders for cotton textiles, have stimulated domestic consumer and wholesale demand for fabrics and yarn. Except for disturbing conditions growing out of the extreme political tension since the middle of August and the disruptions which might accompany a major war, the present outlook for mill activity in the next several months to come seems to be favorable.

Spinning and weaving mill activity in Western and Northern Europe, including the United Kingdom and France continued sustained or even on the increase during July and early August which is unusual for this time of the season. The fine spinning section seems to be particularly favored. The cotton textile industry of Germany also continued active, to a large extent, however, using substitute material in the place of raw cotton. These materials, such as cell-wool, reclaimed cotton and waste, have by now also replaced a considerable share of the former consumption of raw cotton by the Austrian and Sudetenland spinning mills. Since July 1 cotton consumption in Germany has probably declined somewhat as a result of the recent decree prohibiting the utilization of cotton in the manufacture of a great variety of textiles.

Cotton mill activity in Italy during July and the first half of August appears to have maintained previous improvement and to exceed the reduced level of operations at this time last year. As to the other European countries, activity in spinning and weaving seems on the whole to have shown comparatively little net change from May and June.

UNITED KINGDOM

During July activity of both spinning and weaving mills in Great Britain was maintained at about 80 percent of normal, which was much higher than a year earlier. Domestic textile demand throughout July was reported healthy, as a result of rising general industrial activity. Substantial government orders provided an additional stimulus to the industry and order books were reported well-filled for several months to come. Export business, on the other hand, continued restricted.

On August 1 the Egyptian Minister of Finance announced that an agreement is now being negotiated between Britain and Egypt whereby cotton 2/

1/ Based largely on a report from the office of the Agricultural Attache, London, England, dated August 9, 1939.

2/ 200,000 bales have been mentioned by the press in a conjectural manner.

is to be bartered for British arms and ammunitions. The possibility of some other international deals of the Anglo-American cotton-rubber type involving raw cotton also has been widely discussed. The cotton barter with Egypt now envisaged is expected to provide that the cotton should be stored in Britain, as a reserve, for a period of 5 years.

One of the outstanding developments in 1938-39 with respect to the cotton situation in Great Britain was the extremely large reduction in unmanufactured stocks. At the beginning of the season port stocks at Liverpool and Manchester amounted to 1,173,000 bales but at the end of the season totaled only 629,000 bales. Stocks of American cotton declined from 686,000 bales to 169,000 bales.

FRANCE 3/

Conditions in the French cotton textile industry during the month of July continued to be fairly satisfactory, both as regards mill activity in spinning as well as weaving. Sales of cotton yarn during the month were generally reported quiet, but the offtake in fabrics was fairly active in the second half of the month following a period of stagnation in the first half. Government orders play an important part in present mill business and activity. Relief was generally felt at the announcement of the flat rate export subsidy on United States cotton, and toward the end of the month renewed interest by brokers in raw cotton was reported. Heavy spinner demand for American is anticipated after the August vacation period. So far, however, operations in the raw cotton market have not been on a particularly extensive scale.

As compared to the reported increase in activity of the cotton mills this past season against that of 1937-38, raw cotton imports in 1938-39 lagged considerably behind imports in 1937-38, the decline being most pronounced in the case of American cotton. Regarding exotic growths, notably Brazilian, imports have been on a much larger scale than in 1937-38. Withdrawals by spinners, as a result of the higher activity, were almost 15 percent above 1937-38, with less American cotton used and a formidable increase reported for other cottons, notably Brazilian. As a result of these divergent movements in imports and withdrawals, Havre stocks at the end of the season have been reduced to about one-third of what they were at the beginning.

BELGIUM

For the most part the Belgian cotton mill situation continues unfavorable, with mill sales mostly short of current output. For short periods during the recent past, however, cotton spinning mills are reported to have registered a good volume of new business though still at hardly remunerative prices.

3/ Partly based on information received from the American Consulates at Lille (Nord), France, and La Havre, France.

According to the latest quarterly report of the Association Belge de Filateurs de Coton, the producing capacity of the Belgian cotton industry is now no longer balanced with its sales capacity, in view of the loss of several important export markets. On the basis of strictly private initiative by a group of manufacturers, several cotton weaving mills have been purchased in order to destroy the machinery or to sell it on condition that buyers would destroy an equivalent quantity.

GERMANY

The German cotton textile situation continues to be characterized by high mill activity, but scarcity of raw material supplies in relation to requirements. Following a season of building up raw cotton supplies at Bremen during 1937-38, stocks in that port were again depleted during 1938-39. Stocks of American Cotton at Bremen on July 31 this year were reported at 147,000 bales compared with 245,000 bales a year earlier. Stocks of American totaled 79,000 bales against 146,000 a year earlier.

Cotton mill activity, according to the official index, in 1938-39 showed some increase over 1937-38. Imported supplies of raw cotton, cotton waste and regenerated cotton also showed an increase compared to 1937-38, though it is not clear to what extent imports for Austria and the Sudetenland were included in the official trade returns. Raw cotton imports in 1938-39 by Greater Germany were probably well below the 1937-38 takings by Germany, Austria and the Sudeten mills combined. Larger supplies from the still increasing production of cell-wool have been further substituted for raw cotton.

Bohemia and Moravia - In the Protectorate of Bohemia and Moravia cotton textile mill activity was also on the increase in recent months and unemployment was further reduced. There is no basis for comparing present cotton output with previous years, since the statistics were formerly not given separately for the territory of the present Protectorate. A considerable reorientation of the industry seems to be taking place and the share of substitute materials used in the spinning industry will necessarily increase with increasing difficulty in obtaining raw cotton supplies.

ITALY 4/

A very satisfactory situation was reported in the Italian cotton trade and industry during July. The mills appear to have been operating at ordinary capacity and renewed interest in cotton buying followed the settlement of the question of an export subsidy on American cotton. Current orders for cotton goods upon which the mills are now running have come from both domestic and foreign markets. Orders on hand are said to extend quite as far into the future as the operators are willing to go under present uncertain international relations and the rising tendency of costs of production in Italy. It is reported difficult to place orders for cotton

4/ Information received from the American Consulate General at Milan.

goods for delivery during the current year, while the mills are also said to have substantial backlog orders, among them large commissions for Army and Navy materials.

Italian cotton mills are reported in the latest official statistics to have been more active in May, 1939, than in any month since January, 1938, with corresponding increases in employment and the consumption of cotton and other fibers. The proportion of raw cotton used, however, continues to show a decline in comparison with the use of artificial fibers and other materials that are now being used so extensively by the Italian cotton textile mills in making goods for Italian consumption. Imports of cotton during the first half of 1939 were 35 percent smaller and 40 percent less valuable than in the same period of 1938.

Export markets for Italian cotton yarns continued to expand with increased shipments to Yugoslavia, Rumania, and Spain. During the first 6 months of 1939 exports of cotton yarn were 82 percent larger than those during the first 6 months of 1938. Exports of cotton fabrics during the first 6 months of 1939, on the other hand, were about 10 percent below the corresponding period of 1938, with decreases largest in the case of Argentina and Egypt, but a substantial increase in shipments to Turkey.

Substantial orders for American cotton were placed by Italian buyers soon after the announcement of the United States export subsidy. Most orders were for fall and winter delivery, although some spinners seemed to be covering their needs for the first half of 1940 as well. The tense international political situation, however, is thought to be a factor tending to prevent extensive commitments too far ahead.

Italian dealers in late July appeared to regard the market outlook as favorable, although they did not expect the amount of business to equal that of a few years ago, owing to the increasing use of substitute fibers in Italy. By the end of this year, all so-called cotton goods offered for sale for domestic consumption must contain at least 20 percent of substitute fibers, so that yarns and fabrics now being manufactured for next winter and spring sales must contain a smaller percentage of cotton than has ever been the case heretofore.

Around the end of July another quota for some Lire 25 million, or some 20,000 bales of raw cotton at current price levels, was placed at the disposal of producers of cotton goods for internal consumption. Present price relationships are considered to favor American cotton by a wide margin and much of the quota allotment will probably be used to pay for imports recently made or for cotton now lying in Italian free ports, chiefly American.

Raw cotton imports continued considerably below 1938, with total imports in the first half of 1939 amounting to 56,224 metric tons or the equivalent of 25,931 bales of 478 pounds compared to an importation of 86,769 metric tons or 400,190 bales in the corresponding period of 1938. Most of the

decline was accounted for by smaller takings from the United States. However, takings from Egypt and India as well as Turkey also showed reductions, while imports of Brazilian, other South American and Sudan cottons increased appreciably. How long the curtailment of total raw cotton imports can be maintained is still a question. Some spinners are known still to have considerable stocks, but there is no doubt that the margin has been reduced materially during the past 6 months and it seems probable that larger imports of raw cotton will soon be necessary.

Cotton mill activity in the spinning and weaving sectors during May, the latest month for which statistics are available, was considerably higher than either a month or a year earlier, and employment as well as raw material consumption were raised accordingly. The share of substitute materials in spinning mill consumption, however, is now considerably above a year ago; raw cotton in May 1939 comprised only 60 percent of all fibers spun into yarns compared to 73 percent in May 1938.

SPAIN

With at least a year's supply of raw cotton assured as a result of the recently announced purchase on a credit basis of 250,000 bales of American raw cotton and an additional purchase of Egyptian cotton, Catalonia is now looking forward to a period of considerable cotton mill activity. Great efforts had been made previously to get the mills going. Though the machinery capacity of the industry is somewhat reduced as a result of the War, the main unsolved problem up until the recent purchases were made was the raw material question. Now that it is satisfactorily settled cotton mill activity is expected soon to return to normal. Consumer supplies of cotton goods have been low for 2 years past and the War has exhausted all reserves. A backlog of most essential requirements is therefore to be filled by the industry.

SWEDEN

The report of the Swedish cotton industry association for the second quarter of 1939 indicates that most of the cotton mills have been running full time.

ESTONIA

As a result of a recent decree with respect to emergency reserves of raw materials and semi-manufactures it is expected that Estonia's imports and mill consumption of cotton during the third quarter of 1939 may show a significant increase. An ordinance has been issued recently by the Government to the effect that within 3 months from the first of July enterprises should accumulate emergency reserves in regard to a great number of products including raw cotton, cotton yarn and cotton fabrics. Importers and industrialists should accumulate reserves to the extent of up to 50 percent of their yearly turnover or requirements, wholesalers a minimum of 20 percent and retailers a minimum of 10 percent. Import duty on these stocks will not be paid until they are consumed.

ORIENT: Consumption continues low in Japan and China, high in India

The indications are that cotton mill consumption in Japan during July remained near the level of the preceding several months but much lower than the average for July for the preceding 5 years. In June the 215,000 bales (of 473 pounds net weight) of cotton consumed by member mills of the Japan Cotton Spinners Association were within 9 percent of consumption in each of the preceding 12 months, but were 26 percent below the 5-year, 1933-37, June average. The consumption estimate for July is expected to make a somewhat similar showing. For the 12 months ended July, consumption by these mills probably totaled slightly over 2,500,000 bales, a decline of 24 percent below 1937-38. This figure is about one-third less than that of 1936-37, the last year prior to the outbreak of hostilities in China and is the smallest in 8 years.

Production of pure-cotton yarn amounting to 221,000 bales of 400 pounds in June was 4 percent below that of the previous month. The decrease for the 11 months ended June was 19 percent. This drop was attributed to the rapid accumulation of stocks of piece goods caused by declining exports of textiles and by restrictions against Japanese consumption of pure-cotton goods.

Cloth exports during June amounted to 281,200,000 square yards, a reduction of 18 percent from exports in May. From August through June, cloth exports showed a decline of 8 percent compared with a year earlier. Piece-goods stocks in warehouses combined with manufacturers' stocks were reported as equivalent to about a 4-months' supply for export instead of the usual 3-months' supply. It is reported that Government officials are concerned with these heavy cloth stocks and that an effort has been made to further discourage imports of cotton for the present.

July mill consumption of cotton in China, including Manchuria, is estimated at 140,000 bales according to a recent radiogram from the American Consulate at Shanghai. This is apparently not greatly different from consumption during recent months. Consumption for the 12 months ended July was materially larger than that of 1937-38, but probably less than half as large as 1936-37.

Mill activity in Shanghai, Tsingtao, and Tientsin was curtailed from 5 to 10 percent during July and August, while in other parts of China activity increased.

The 245,000-bale (of 400 pounds net weight) consumption of Indian cotton by Indian mills in July was slightly less than the consumption in July last year, but, with that exception, the largest for the month on record. It was 12 percent larger than the average July consumption for the 5 years 1933-37. Consumption for the entire season is estimated at 3,090,000 bales according to the New York Cotton Exchange Service. This is slightly larger than the previous record high consumption established in 1937-38 and considerably higher than in any other season on record. It was 23 percent larger than the 5-year 1932-33 to 1936-37 average, even though since 1936-37 the consumption estimates do not include Burma.

ACREAGE, PRODUCTION, STOCKS, AND SUPPLY

Supply of American cotton about unchanged,
despite record high carry-over

The world carry-over of American cotton on August 1, 1939 is tentatively placed at 14,150,000 bales according to estimates of the New York Cotton Exchange Service. This is a little over 400,000 bales larger than the previous record high carry-over and more than twice as large as the average for the 10 years ended 1933. On the basis of the August Crop Report, the 1939 production of American cotton is expected to be about 500,000 bales smaller than that of 1938. Such a crop, together with the carry-over as now estimated, would give a supply of American cotton for the 1939-40 season just slightly smaller than the 25,465,000 running-bale supply of 1938-39. A supply such as now estimated would be only 3 percent less than the record high 1932-33 supply of American cotton and almost one-fourth larger than the 10-year 1923-24 to 1932-33 average. A United States crop of 11,412,000 bales of 500 pounds gross weight (approximately 478 pounds net weight) was forecast by the Crop Reporting Board on the basis of conditions as of August 1. This figure is 531,000 bales less than the 1938 crop and the third smallest in 16 years. This forecast is based on an indicated United States yield per acre of 223.7 pounds. In 1938 the average yield was 235.8 pounds and in the 10 years 1928-37, 190.8 pounds. The cotton acreage of 24,424,000 acres used in making this forecast was the estimated acreage in cultivation on July 1, less the 10-year average abandonment. This figure is slightly more than the acreage harvested in 1938 which was the smallest since 1899.

Supply of foreign cotton expected to again decline

The estimated world carry-over of foreign-grown commercial cotton as of August 1, 1939 was a little more than a million bales smaller than the record high carry-over of a year earlier. This, together with the possibility of some decline in the 1939-40 production of foreign-grown cotton, makes it seem quite likely that the supply of such cotton would be considerably smaller than that of 1938-39. A decline this season would make the second consecutive season in which the supply of foreign cotton showed a decline after having increased for 6 consecutive years, 1931-32 to 1937-38. Any decline which may occur in the season's supply will no doubt still leave the supply much larger than in any year prior to 1936-37.

As indicated last month, cotton acreages in Egypt and China were reported to be considerably smaller than in 1938. A recent report from the American Consulate at Shanghai indicated that production in China for 1939 might total about 1,900,000 bales of 478 pounds. This represents a decline of 400,000 bales below the estimate of the 1938 crop. The area planted to cotton in India up to August 1 was recently estimated by the Indian Government at 13,713,000 acres. This is approximately 2 million acres or 13 percent less than the acreage planted to the same date last year.

INCOME FROM COTTON AND COTTONSEED

In the preliminary estimates of the cash farm income from the sale of farm products made annually at this time of year, the Bureau has estimated that farm income from cotton and cottonseed for the 1939 calendar year seems likely to total around \$525,000,000. This is \$142,000,000 less than the estimate for 1938 and the smallest since 1932. (See table 2.) The sale of cotton in 1939 is expected to be substantially smaller than in 1938 both because of the smaller 1939 crop and because a substantial part of the record crop of 1937 was carried over and sold or placed under Government loan in 1938, whereas nearly all of the 1938 crop had been sold or placed under loan before the end of the calendar year.

Table 2.—Sales and cash income from cotton and from cottonseed, United States, 1910-39

| Year | Cotton | | | Cottonseed | | | Total income |
|---------|----------------|---------|---------------|------------|---------|---------------|---------------|
| | Sales | Average | Cash income | Sales | Average | Cash income | |
| | | price | | | price | | |
| | | per lb. | | | per lb. | | |
| | 1,000 bales 1/ | Cents | 1,000 dollars | 1,000 tons | Dollars | 1,000 dollars | 1,000 dollars |
| 1910 | 11,203 | 13.9 | 781,389 | 3,805 | 26.06 | 99,169 | 880,458 |
| 1911 | 14,834 | 10.5 | 779,375 | 4,302 | 17.50 | 75,300 | 854,675 |
| 1912 | 14,130 | 10.9 | 772,456 | 4,576 | 18.10 | 79,229 | 851,685 |
| 1913 | 13,977 | 12.5 | 870,294 | 4,480 | 21.85 | 97,902 | 968,196 |
| 1914 | 12,565 | 8.4 | 524,869 | 5,052 | 15.27 | 77,174 | 602,043 |
| 1915 | 14,831 | 9.5 | 707,025 | 4,259 | 28.87 | 122,948 | 829,973 |
| 1916 | 12,224 | 15.6 | 955,476 | 4,286 | 44.99 | 192,834 | 1,148,310 |
| 1917 | 11,113 | 24.4 | 1,354,613 | 3,914 | 63.65 | 249,118 | 1,603,731 |
| 1918 | 10,212 | 29.7 | 1,515,654 | 4,112 | 65.38 | 268,874 | 1,784,528 |
| 1919 | 12,699 | 32.1 | 2,038,231 | 3,692 | 66.02 | 243,727 | 2,281,958 |
| : | | | | | | | |
| 1920 | 10,754 | 25.4 | 1,366,652 | 3,540 | 30.82 | 109,106 | 1,475,758 |
| 1921 | 11,426 | 13.5 | 769,805 | 3,009 | 27.40 | 82,442 | 852,247 |
| 1922 | 10,214 | 20.8 | 1,060,544 | 2,898 | 30.13 | 87,330 | 1,147,874 |
| 1923 | 10,338 | 28.0 | 1,447,669 | 2,948 | 41.09 | 121,133 | 1,568,802 |
| 1924 | 12,761 | 23.9 | 1,523,055 | 4,218 | 33.29 | 140,429 | 1,663,484 |
| 1925 | 15,296 | 20.9 | 1,601,169 | 5,026 | 32.07 | 161,192 | 1,762,361 |
| 1926 | 16,404 | 13.3 | 1,094,508 | 5,709 | 22.39 | 127,834 | 1,222,342 |
| 1927 | 15,058 | 17.9 | 1,346,690 | 4,662 | 32.89 | 153,341 | 1,500,031 |
| 1928 | 14,516 | 18.1 | 1,294,224 | 4,660 | 33.99 | 158,420 | 1,452,644 |
| 1929 | 15,650 | 17.4 | 1,363,007 | 4,731 | 31.48 | 148,943 | 1,511,950 |
| : | | | | | | | |
| 1930 | 14,025 | 10.4 | 726,911 | 4,337 | 22.42 | 97,234 | 824,145 |
| 1931 | 14,881 | 6.1 | 455,342 | 4,556 | 9.13 | 41,614 | 496,956 |
| 1932 | 13,796 | 6.1 | 418,514 | 4,110 | 10.26 | 42,180 | 460,694 |
| 1933 | 12,276 | 8.6 | 528,838 | 3,854 | 12.64 | 48,713 | 577,551 |
| 1934 | 12,299 | 12.3 | 758,523 | 3,210 | 32.51 | 104,331 | 862,854 |
| 1935 | 10,847 | 11.2 | 608,328 | 3,361 | 30.78 | 103,458 | 711,786 |
| 1936 | 12,562 | 12.2 | 763,360 | 4,259 | 33.23 | 141,519 | 904,879 |
| 1937 | 17,540 | 8.8 | 770,377 | 5,214 | 19.86 | 113,399 | 883,776 |
| 1938 2/ | 14,176 | 8.1 | 575,741 | 4,242 | 21.57 | 91,494 | 667,235 |
| 1939 | : | | | | | | 3/ 525,000 |

1/ 500-pound gross weight bales, approximately 478 pounds net weight.

2/ Preliminary. 3/ Tentative estimate.

